

Operating Policy: Grants and Contracts, Policy 9 – Expenditure Guidelines

The general guidelines for determining costs applicable to grants and contracts are contained in OMB Circular A-21, Cost Principles for Educational Institutions. The basic underlying principle of Circular A-21 is that all allowable costs must be reasonable, allocable to the sponsored project, conform to the sponsored agreement and be consistent with the principles and practices of the University. The responsibility for monitoring all grant and contract costs belong to the principal investigator. All costs must be in accordance with federal, sponsor and University guidelines.

In order for a cost to be considered reasonable, it must reflect the action of a prudent person under the circumstances prevailing at the time the decision to incur the cost is made. In order for a cost to be allocable to a project, it must be incurred specifically to benefit the sponsored project either in whole or in part. If the cost benefits both the sponsored project and other work of the institution, then the portion allocated to the sponsored project must be approximated through reasonable and consistent measures. Further definitions and explanation as to determining the allowability, reasonableness and allocability of costs can be found in OMB Circular A-21 and The Federal Acquisition Register. The cost must conform with the sponsor-approved budget and to limitations or exclusions within the sponsored agreement. Individual agency regulations along with the proposal and award agreement must be consulted for authoritative guidance to determine the allowability of specific costs. The costs must comply with all University policies and guidelines in place at the time the costs are incurred. University Policies and Guidelines can be found on the Financial Services webpage.

While it is the primary responsibility for the principal investigator to ensure all costs charged to a sponsored program are allowable, it is also the responsibility of all approvers to review the costs prior to approval to help ensure that unallowable costs are not posted to the sponsored program fund. In the event a cost has posted to a sponsored program fund, which is later determined to be unallowable, the established University policy is that financial responsibility for disallowances rests with the cost center having primary responsibility for the project. For any disallowed cost which is an allowable University costs, a transfer to a University fund will be made immediately. If it is determined the costs would not be allowable at the University level, the principal investigator will be responsible for reimbursing the University.

The purpose of the following section is not to repeat definitions of costs elements, but rather to provide some clarification, guidance, or references as to University policy. Additionally, special considerations or problems will be highlighted. To facilitate reference, arrangement of this section is alphabetical. For guidance on items not referenced, please consult sponsor policies or contact Grants and Contracts Accounting.

Alcoholic Beverages

Costs of alcoholic beverages are unallowable.

Alterations and Renovations

Such costs are allowed only in exceptional cases and are subject to specific sponsor guidelines and limitations. Alterations and renovations are normally authorized only for specialized facility requirements and not for general purpose space such as administrative offices.

Consultant Services

Proposed consultant charges are subject to particular scrutiny by a sponsor. The federal government permits such charges if budgeted in advance and if it can be documented that such services are

essential and will be obtained from the most qualified person at reasonable and normal rates. All consulting services are to be obtained in concurrence with established University policy. Some of the established and more significant policy elements are as follows: Full-time University and other State employees are not authorized to be paid consultant fees by the University. This restriction also applies to corporations and partnerships in which an employee of the University or faculty member serves as either a principal or employee. Payments to former University employees for consultant services will be closely scrutinized and may require additional documentation to verify status as an independent contractor.

Consultant Travel

University policy permits both professional fees and travel expenses to be submitted separately, on a "Consulting and Professional Services Worksheet" and a "Travel Expense Report," respectively. This is the preferred method of handling such payments, providing the sponsor agency permits the processing of such payments in this manner.

Contingency Funds or Reserves

Separate budgetary cushions or allowances for unexpected expenditures are generally not allowable charges to a sponsored research program unless a contract or grant specifically authorizes such payments. This does not preclude the utilization of reasonable escalation factors applied to cost elements such as salaries and wages or supplies when preparing the budget.

Encumbrances Near To and After Termination Date

Orders for supplies and equipment must be placed sixty to ninety (60-90) days prior to the fund expiration date to ensure delivery and utilization. Items not received and/or utilized during the award period are routinely disallowed on an audit. If additional time is needed to complete the research project, the principal investigator must contact Grants and Contracts Accounting for aid in securing fiscal information before submitting an official request for a no-cost date extension to the sponsor via the Office of Sponsored Research and Programs. Otherwise, the University must automatically cancel outstanding encumbrances thirty to sixty (30-60) days after termination to avoid disallowances on an audit.

Entertainment

Costs of amusements, social activities, entertainment, and incidental costs related thereto are not allowed.

Equipment

Equipment is defined as an asset with a useful life of more than a year and a value (cost) of \$5,000 or more for each individual item. Purchases of specialized equipment are normally allowable with advance approval from the sponsoring agency. Purchases of general office equipment and furnishings, such as desks, chairs, tables, etc., will generally not be approved by a federal agency. Whenever practical, equipment already in possession of the University will be utilized to meet research needs. Project funds are normally used to pay for only authorized equipment acquired sufficiently in advance of the ending date (prior to last 90 days) of the project period to be effectively used on that project. Purchases of equipment not meeting the effective utilization test, particularly if there is not a follow-on or continuation award, are usually questioned by auditors and generally result in a cost disallowance or exception.

Honoraria

An honorarium is a one-time payment made to an individual in recognition of a short-term service (such as a lecture or seminar) for which a fee is not legally or traditionally required. Payments of this nature are generally not allowable charges to a sponsored research program unless a contract or grant specifically authorizes such payments. The negotiation of a fee by the individual would indicate a contract for services exists as opposed to an honorarium.

Leave Benefits

Personnel paid from a sponsored program fund receive the same leave benefits as personnel paid from other University funds. Faculty and graduate assistants/associates on academic year appointments do not accrue vacation benefits and are not eligible to take vacation even if funded by a sponsored program. Staff and fiscal year appointees are encouraged to utilize accrued vacation before the sponsored program's termination date. Accrued vacation paid after the program's termination will be charged to the University's fringe benefit pool. The fringe benefit pool is funded by contributions from all University and sponsored program funds based on salaries and wages charged to each fund, at the annually negotiated and federally approved Fixed Fringe Benefit cost rate. It is the responsibility of the principal investigator to ensure that these employees accurately report their vacation time prior to the project's expiration.

Pre-Award Cost

Incurrence of project costs prior to the effective date of an award must be avoided. Sponsored Projects should not be initiated prior to the effective date of an award with expectation that such costs will be allowed. Such charges will be permitted only in exceptional cases and must be approved in advance by the sponsor.

Retroactive Cost Transfers

The federal guidelines for cost transfers state, "Any cost allowable to a particular research agreement may not be shifted to other research agreements in order to meet deficiencies caused by overruns, to avoid restrictions, or for other reasons of convenience. (CIRCULAR A-21, Section C.4.b)" As a result, Grants and Contracts Accounting must screen all requests for transfer of expenditures to ensure compliance with these regulations. Federal regulations normally allow such transfers only within ninety (90) days of the original encumbrance. When applying for a retroactive costs transfer (if it is allowable and within the granting period), send a memo to Grants and Contracts Accounting requesting the transfer. The memo must contain all details pertaining to the transfer. In addition, a full explanation and reason for the transfer should be given.

Salaries and Wages

Salaries and wages are allowable as a direct cost to the extent that they are reasonable and conform to the established University salary and wage policy. All personnel involved in a sponsored project's effort, whether faculty, professional staff, clerical staff, or students (research assistants), must be paid in accordance with University, Federal and State guidelines. The salary and wage categories and job or position classifications on sponsored projects must be congruent with those established for all other employees of the University. Salary rates and increments are therefore subject to the regulations applied to all other University employees of the same classification. Exceptions only result in audit disallowances. Salary and wage rates contained in a proposal, including projected increases, are budgetary figures. All personnel commitments are handled in conformity with established University salary and wage policies. Budgetary data contained in a proposal does not in any way supersede such policies. All University personnel must be paid through the University payroll system. In addition, all students that are enrolled at the University and are being paid for services rendered must be paid through the University payroll system.

Space Rental

In some cases a University department, school, or center may require rental space to house a sponsored project. If off-campus space is required, the Office of Sponsored Research and Programs must be contacted early in the proposal stage to assure that University and State regulations are followed. If rent is charged to the Funding agency, then the off-campus indirect cost rate should be used.

Stipends

Stipends for fellows and trainees are permissible only on training or fellowship grants. Individuals working on research projects are considered employees and their effort must be reflected on the time and effort certification report.

Subcontract and Subgrant Effort

Some sponsored program projects require the University to collaborate with other institutions or contractors. Such effort must be defined in the proposal and approved by the sponsor agency in advance. Subcontract or subgrant documents must also be approved by the sponsor agency prior to finalization of any such agreement. During any programmatic discussions with potential subcontractors or sub-grantees, financial commitments or arrangements must be coordinated with and approved by the Office of Sponsored Research and Programs. As audits are generally required for all subcontracts, the University's proposal must provide for the costs of such audits or contain assurances that the audit will be accomplished. Other universities are also subject to federal audit requirements and can generally provide needed audit information without the need for a separate subcontract audit. Contact the Office of Contracts and Grants for additional information and guidance on this requirement. Except for the estimated cost for auditing a subcontract, all subcontract costs, regardless of their nature, are a composite direct cost as far as the University is concerned and should always be shown in the subcontract cost line of the proposal. Although it is expected that subcontract costs will be broken out and supported in the subcontractor's proposal to the University, subcontract costs should never be intermingled with Missouri State University cost elements. Each subcontractor that includes facilities and administrative costs as part of their overall budget needs to provide a copy of their most recently federally negotiated facilities and administrative costs rate agreement. Where it is known in advance that specific organizational entities are essential to and will collaborate on a sponsored project, it is customary that estimated costs to be included in the proposal be corroborated by an official proposal from that organization prior to submission of the proposal.

Supplies

Generally, grant and contract funds may be used to purchase supplies delivered on or after the beginning date of the sponsored project. Purchases made during the latter part of a project are subject to particular audit scrutiny and therefore must be sustainable from the view points of relevance and usefulness to the project. Failure to adhere to these stipulations can result in audit exceptions and costs disallowance. However, some sponsors restrict purchases to budget periods as opposed to multi-year project periods. If supplies are not received prior to the termination of an award or contract, it will normally be necessary to utilize and charge the supplies to the continuation award, or to another active project which requires and can effectively utilize the supplies. Where the usage and charges for such supplies cannot be legitimately absorbed by another active project or departmental budget, prompt action should be taken to cancel outstanding orders and avoid the incurrence of a financial obligation not covered by an authorized budget.

Travel

Travel expenses are allowable if authorized and in direct support of the project. All travel reimbursements, both to University and non-University employees, are subject to State and University policies except in those few instances where more restrictive policies and limitations may be imposed by a specific award. Federal travel regulations will apply when required by federal contracts.

Utility Services

Utility costs, such as heat, light, water, air conditioning and local telephone service are recouped through the indirect cost rate and are not considered as direct costs. In unusual circumstances, where inordinate amounts of such services are required for a project, it may be appropriate to direct cost these items.